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**NOD143**

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**SECRET** SECTION 01 OF 02 SINGAPORE 04493

**NOD13**

E.O. 120651 RDS-1 5/4/87 (THAYER, HARRY E.T.) OR-M  
TAGS: OVIP (BUSH, GEORGE), SN  
SUBJ: VICE PRESIDENT'S VISIT TO SINGAPORE: PRIVATE  
- MEETING WITH PM LEE APRIL 28, 1982

1. (S - ENTIRE TEXT.)

2. SUMMARY: VICE PRESIDENT BUSH AND PRIME MINISTER LEE, IN A BRIEF MEETING IN THE PM'S SECOND FLOOR OFFICE, FOCUSED PRIMARILY ON THE U.S. ECONOMY. MR. BUSH SPOKE HOPEFULLY ABOUT LONG-TERM PROSPECTS. THE TWO LEADERS AGREED THAT A SOLUTION TO THE FALKLAND ISLAND CRISIS

ST BE FOUND. MR. LEE DESCRIBED ISRAEL'S BEGIN AS A "DISASTEER" AND WARNED OF INCREASING U.S. ISOLATION ON ARAB-ISLAFEL ISSUES; MR. BUSH POINTED OUT THAT BEGIN IS MORE POPULAR THAN EVER. THE VICE PRESIDENT, ASSESSING THE CENTRAL AMERICAN DEVELOPMENTS, SPOKE OF EUROPEANST LACK OF UNDERSTANDING. THE VICE PRESIDENT, IN THANKING THE PRIME MINISTER FOR HIS HOSPITALITY, SAID HE HOPED TO SEE HIM IN WASHINPTON. END SUMMARY

3. IMMEDIATELY FOLLOWING THE MEETING WITH THE LARGER GROUP IN TY ISTANA CABINET ROOM, THE VICE PRESIDENT AND THE PRIME MINIDYER, ACCOMPANIED BY FOREIGN MINISTER  
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State Dept. review completed

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DHANABALAN AND AMBASSADOR THAYER, MET FOR 25 MINUTES IN THE PRIME MINISTER'S SECOND FLOOR OFFICE.

4. AFTER A BRIEF DISCUSSION OF US-CHINA RELATIONS (SEPTTEL), THE VICE PRESIDENT RAISED THE FALKLAND ISLANDS CRISIS. PRIME MINISTER LEE SAID IT HAD ELEMENTS OF A GILBERT AND SULLIVAN OPERA, OR IT COULD BE LOOKED UPON AS AN ABSURD COMEDY THAT MIGHT BECOME A TRAGEDY. MR. LEE SAID HE THOUGHT THAT SURVIVORS OF BOTH THE ARGENTINE AND BRITISH GOVERNMENTS WERE AT STAKE, ESPECIALLY MRS. THATCHER'S FUTURE. HE SAID HE HAD ONLY MET FOREIGN SECRETARY PYM BUT DID NOT KNOW HIM. THE VICE PRESIDENT AND THE PRIME MINISTER AGREED THAT A RESOLUTION MUST BE FOUND.

5. MR. BUSH ASKED IF MR. LEE HAD ANY ADVICE ON THE MIDDLE EAST. THE PRIME MINISTER RESPONDED BLUNTLY BY SAYING THAT SADAT HAD BEEN KILLED BECAUSE THE U.S. HAD NOT HELPED HIM ENOUGH. AFTER NOTING THAT MANY GOVERNMENTS ARE NOW ANGRY AT THE UNITED STATES BECAUSE OF OUR UN VOTE, MR. BUSH DESCRIBED SOME OF THE PROBLEMS,

INCLUDING WITH HIM THE U.S., THAT THE ADMINISTRATION HAD EXPERIENCED IN HANDLING THE ISRAELIS AND ESPECIALLY PRIME MINISTER BEGIN. MR. LEE CHARACTERIZED BEGIN AS A "DISASTER." BUT MR. BUSH NOTED THAT SHE ISRAELI PRIME MINISTER, NEVERTHELESS, IS MORE POPULAR THAN EVER. APPARENTLY SO, MR. LEE AGREED, BUT HE ADDED THAT THE ISRAELIS WERE "DOING THEMSELVES NO GOOD": THEY CAN'T LIVE ON THE NARROW BASE OF AMERICAN ARMS ALONE. SADAT, HE SAID, GAVE THE ISRAELIS A CHANCE "BY A LEAP OF VISION." THE PRIME MINISTER RECALLED THAT SADAT, WHEN HE WAS VICE

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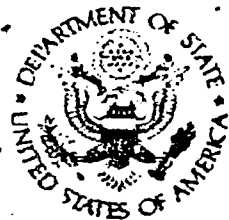
PRESIDENT, HAD TOLD HIM IN 1978 OF HIS DETERMINATION TO SETTLE THE ISRAELI PROBLEM. THE UNITED STATES, THE PRIME MINISTER CONTINUED, IS GOING TO FIND ITSELF INCREASINGLY ISOLATED ON THE ISSUE, WITH THE EUROPEANS, THE JAPANESE, AND THE THIRD WORLD ALL MOVING AWAY FROM US. -- THE U.S., HE SAID "WILL BE IN A MINORITY OF ONE." MR. BUSH REPLIED THIS IS VIRTUALLY THE CASE NOW -- "REGRETTABLE, BUT A FACT OF LIFE." HE WENT ON TO NOTE, HOWEVER, THAT THE AWACS DEAL HAD HELPED WITH THE MODERATE ARABS, BUT THE SITUATION IS BAD NEVERTHELESS. THE PRIME MINISTER SAID IT IS "BLEAK" AND DEVELOPMENTS HAVE GIVEN THE U.S. LITTLE ROOM.

6. FOLLOWING A BRIEF EXCHANGE ON THE COMPLEXITY OF RELATIONSHIPS IN THE MIDDLE EAST, THE PERSONALITIES LEADING IRAQ AND IRAN, AND THE RECENT AMERICAN PURCHASE OF IRANIAN OIL, MR. BUSH NOTED THAT THE AMERICAN PUBLIC'S FEELINGS T-8,5 84-, -43 58)) 549,2, 1,4. LEE REPLIED THAT AMERICANS "HAVE TO LIVE WITH THE FACT THAT YOU LET T J SHAH GO DOWN THE DRAIN." SADAT, MR. LEE SAID, HAD "SHAMED THE WORLD, INCLUDING ME" BY HIS TREATMENT OF THE SHAH.

7. THE PRIME MINISTER MENTIONED PROBLEMS THE ADMINISTRATION IS HAVING WITH THE LIBERAL PRESS REGARDING CENTRAL AMERICA. (03 1013 043033,5 -0-0503 ,01-4-07-, SITUATION DID NOT SEEM TO BE GETTING BETTER (MR. LEE INTERJECTED: "HORSE.") IN EL SALVADOR DIAUBISSON ISY NOW TALKING MORE MODERATELY, THE HONDURAS SITUATION IS

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"NOT BAD"; GUATEMALA HAD "SOME HOPE"; PANAMA IS "NOT TOO BAD"; COSTA RICA IS AN "ECONOMIC BASKET CASE, BUT SUPPORTIVE." THE VICE PRESIDENT LAMENTED THE DIFFICULTY OF GETTING OUR EUROPEAN FRIENDS TO UNDERSTAND THE CENTRAL AMERICAN ISSUES.

8. MR. LEE SAID NO AMERICAN PRESIDENT STARTS WITH A CLEAN LEDGER. PRESIDENT REAGAN MUST CARRY THE BURDEN OF DEBTS LEFT BEHIND BY PRESIDENT CARTER. THIS LED TO A DISCUSSION OF THE DEGREE TO WHICH THE PROBLEM OF INFLATION COMPLICATES U.S. FOREIGN POLICY. THE VICE PRESIDENT TOLD THE PRIME MINISTER WHAT HE HAD SAID ABOUT THIS IN HIS TALK AT THE AMERICAN BUSINESS COUNCIL BREAKFAST, STRESSING HIS HOPE, DESPITE THE SITUATION TO DATE, THAT A DEAL WITH CONGRESS WOULD RESULT ULTIMATELY IN LOWER INTEREST RATES. HE MENTIONED THAT MERRILL LYNCH'S CHIEF ECONOMIST HAD PREDICTED THAT A FOUR-POINT DROP IN THE PRIME WOULD BE THE RESULT OF SATISFACTORY NEGOTIATIONS WITH THE HILL.

9. THE VICE PRESIDENT COMPLIMENTED THE PRIME MINISTER ON SINGAPORE'S ECONOMIC SUCCESS. MR. LEE SAID HE HAD BEEN LUCKY. FOR EXAMPLE, THE EAST ASIA ENVIRONMENT GENERALLY HAD BEEN SALUBRIOUS AND BOTH SINGAPORE'S NEIGHBORS ARE OIL EXPORTERS. FORTUNATELY, HE ADDED, SINGAPORE HAD A

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HARD-WORKING LABOR FORCE THAT HAD NOT SUFFERED BY THE DOWNTURN.

10. MR. BUSH POINTED OUT THAT SOME GOOD THINGS HAD HAPPENED IN THE U.S. ECONOMY, CITING THE PRESIDENT'S TOUGH POSTURE TOWARD PATCO AND RECENT WAGE AGREEMENTS, WHICH WERE VERY HEALTHY, ESPECIALLY WHEN SEEN IN HISTORICAL CONTEXT. ONCE WE GET OUT OF THE RECESSION, HE SAID, ADMINISTRATION POLICIES WILL PAY OFF.

11. THE PRIME MINISTER MENTIONED THAT DATA RESOURCE'S OTTO ECKSTEIN HAD THEORIZED IN 1977 THAT SEVEN-EIGHT YEARS OF EIGHT-NINE PERCENT UNEMPLOYMENT ARE NECESSARY TO ACHIEVE THE WAGE MODERATION REQUIRED FOR RECOVERY. ANSWERING THE VICE PRESIDENT, THE PRIME MINISTER SAID HE DOESN'T KNOW WHAT ECKSTEIN IS SAYING NOW. RETURNING TO THE SUBJECT OF LABOR SETTLEMENTS IN THE U.S., MR. BUSH SAID THEY ARE SIGNIFICANT, ALTHOUGH PERHAPS NOT YET SUFFICIENT TO HAVE AN IMPACT BY THEMSELVES. HE AGREED THAT IF HIGH UNEMPLOYMENT WERE TO CONTINUE TOO LONG, THE REAGAN ADMINISTRATION WOULD BE OUT OF OFFICE AND THE U.S. GOVERNMENT WOULD BE BEHAVING LIKE THE MITTERAND GOVERNMENT. THE PRIME MINISTER NOTED THE PERVERSE REACTIONS OF FINANCIAL MARKETS TO THE BEHAVIOR OF THE MONEY SUPPLY, POINTING OUT THAT THE UNCERTAINTIES MAKE HIGH INTEREST RATES HARD TO SHAKE OFF. IN ANY CASE, HE SAID, DEFICITS MUST BE BROUGHT DOWN.

12. THE VICE PRESIDENT SAID THE CHOICE IS BETWEEN REDUCING EITHER DEFENSE EXPENDITURES OR ENTITLEMENTS. THE PRIME MINISTER INTERJECTED THAT THE USG HAD TO CHANGE ITS INDEXING OF ENTITLEMENTS. THE VICE PRESIDENT WENT ON TO SAY THAT THE PRESIDENT FEELS THAT IF TAXES

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ARE NOT REDUCED, THERE WILL BE NO INCREASE IN INVESTMENT. HE MENTIONED PROBLEMS WITH SPEAKER O'NEILL BUT SAID MAYBE THEY CAN BE WORKED OUT. ELECTIONS ARE NEARING, THE DEMOCRATS ARE RELUCTANT TO RAISE TAXES. CONGRESSMEN CAME BACK FROM THE RECESS HAVING FOUND THAT THEIR CONSTITUENTS ARE NOT YET ANTI-REAGANOMICS. THEY REMAIN FED UP WITH INFLATION.

13. THE VICE PRESIDENT ENDED THE MEETING BY WARMLY THANKING THE PRIME MINISTER FOR HIS HOSPITALITY, SAYING HE WOULD HOPE TO SEE HIM IN WASHINGTON.

14. THIS MESSAGE HAS BEEN CLEARED BY THE VICE PRESIDENT'S PARTY, THAYER

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